

Message Text

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ACTION EUR-12

INFO OCT-01 ARA-10 EA-07 ISO-00 NSC-05 SS-15 STR-04
USIE-00 NSCE-00 INRE-00 AID-05 CEA-01 CIAE-00
COME-00 EB-07 FRB-03 INR-07 IO-13 NEA-10 NSAE-00
OPIC-03 SP-02 TRSE-00 LAB-04 EPG-02 SIL-01
AGRE-00 OMB-01 XMB-02 SSO-00 /115 W
-----048288 222324Z /75

O R 222227Z JUN 77

FM AMEMBASSY PARIS

TO SECSTATE WASHDC IMMEDIATE 4612

USDEL SECRETARY AIRCRAFT IMMEDIATE

INFO AMEMBASSY VIENNA

AMEMBASSY BRUSSELS

AMEMBASSY OTTAWA

AMEMBASSY COPENHAGEN

AMEMBASSY BONN

AMEMBASSY DUBLIN

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY THE HAGUE

AMEMBASSY OSLO

AMEMBASSY STOCKHOLM

AMEMBASSY BERN

AMEMBASSY LONDON

AMEMBASSY CARACAS

AMEMBASSY LISBON

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USDEL AIRCRAFT FOR SECYS COOPER & SOLOMON

E.O. 11652: N/A

TAGS: EFIN, PO, OECD

SUBJECT: FINANCIAL ASSISTANCE FOR PORTUGAL

1. AT END OF SUCCESSFUL SIX-HOUR MEETING JUNE 22,

PARTICIPANTS IN PARIS MEETING AUTHORIZED CHAIRMAN
(BOEKER, US) TO ISSUE FOLLOWING "CHAIRMAN'S ACCOUNT"
OF MEETING.

2. QUOTE

(1) REPRESENTATIVES OF 14 COUNTRIES MET ON JUNE 22 IN
PARIS IN AN INTERNATIONAL EFFORT TO PROVIDE
SUBSTANTIAL BALANCE-OF-PAYMENTS ASSISTANCE TO PORTUGAL.
REPRESENTED WERE THE GOVERNMENTS OF AUSTRIA, CANADA, THE
FEDERAL REPUBLIC OF GERMANY, FRANCE, IRELAND, ITALY,
JAPAN, THE NETHERLANDS, NORWAY, SWEDEN, SWITZERLAND,
THE UNITED KINGDOM, THE UNITED STATES AND
VENEZUELA AS WELL AS THE GOVERNMENT OF PORTUGAL AND THE
INTERNATIONAL MONETARY FUND AND THE WORLD BANK. ALSO
PRESENT WERE REPRESENTATIVES OF THE EUROPEAN COMMUNITIES
AND THE OECD. BELGIUM AND DENMARK ATTENDED AS OBSERVERS.

(2) ALL COUNTRIES PRESENT RECOGNIZED THAT PORTUGAL'S
EXCEPTIONAL CIRCUMSTANCES RENDERED BALANCE-OF-PAYMENTS
ASSISTANCE FOR ECONOMIC RECOVERY AND GROWTH OF PARTI-
CULAR IMPORTANCE. THIS EFFORT IS ALSO IMPORTANT FOR
THE FUTURE PROGRESS OF PORTUGUESE DEMOCRACY. THEY ALSO
EXPRESSED THEIR STRONG SUPPORT AND ENCOURAGEMENT FOR
PORTUGUESE EFFORTS TO DEAL WITH THEIR ECONOMIC PROBLEMS.

(3) ELEVEN COUNTRIES (THE FEDERAL REPUBLIC OF GERMANY,
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FRANCE, ITALY, JAPAN, THE NETHERLANDS, NORWAY, SWEDEN,
SWITZERLAND, THE UNITED KINGDOM, THE UNITED STATES, AND
VENEZUELA) INTEND TO PARTICIPATE IN A COOPERATIVE EFFORT
TO PROVIDE MEDIUM-TERM CREDITS FOR BALANCE-OF-PAYMENTS
ASSISTANCE TO PORTUGAL OVER THE NEXT EIGHTEEN MONTHS.
AUSTRIA, CANADA, AND IRELAND HAVE PARTICIPATION UNDER
ACTIVE AND SYMPATHETIC CONSIDERATION, AND EXPECT TO
REACH A DECISION SHORTLY.

(4) THE TOTAL AMOUNT OF ASSISTANCE IS EXPECTED TO BE
ON THE ORDER OF 750 MILLION DOLLARS OVER THESE EIGHTEEN
MONTHS. THE FORM OF THIS SUPPORT WILL VARY FROM COUNTRY
TO COUNTRY, AND SOME COUNTRIES WISH TO CONSIDER FURTHER
THE MODALITIES OF THEIR ASSISTANCE.

(5) THE GOVERNMENT OF PORTUGAL FOR ITS PART HAS AGREED
TO WORK OUT DURING THIS PERIOD A FURTHER ECONOMIC
STABILIZATION PROGRAM IN COLLABORATION WITH THE INTER-
NATIONAL MONETARY FUND AND INTENDS TO CONCLUDE A SECOND
TRANCHE ARRANGEMENT BEFORE THE END OF THIS YEAR.

(6) THIS SPECIAL BALANCE-OF-PAYMENTS ASSISTANCE COMBINED

WITH IMF SUPPORT, OTHER SOURCES OF FINANCING AND THE PORTUGUESE PROGRAM SHOULD INSURE THAT PORTUGAL'S BALANCE-OF-PAYMENTS NEEDS WILL BE MET DURING THE NEXT EIGHTEEN MONTHS.

(7) IT IS EXPECTED THAT BY L979 PORTUGAL WILL BE ABLE FULLY TO MEET ITS BALANCE-OF-PAYMENTS NEEDS THROUGH

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OTHER SOURCES, INCLUDING THE INTERNATIONAL MONETARY FUND.

END QUOTE

3. THE ONLY OTHER SIGNIFICANT DEVELOPMENT DURING THE
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MEETING WAS THE ISSUE RAISED BY THE BELGIAN OBSERVER AND DUTCH REPRESENTATIVES CONCERNING THE FINANCIAL SUPPORT FUND. IN CONTEXT OF EXPRESSING PREFERENCE FOR A "MULTI-LATERAL SOLUTION" FOR AID TO PORTUGAL, THE BELGIAN SUGGESTED THAT SERIOUS CONSIDERATION SHOULD FIRST BE GIVEN TO HAVING RECOURSE TO PROPOSED NEW SUPPLEMENTARY FACILITY IN THE IMF (THE WITTEVEEN FACILITY). IF THIS FACILITY IS NOT AVAILABLE FOR PORTUGAL, WE SHOULD TURN TO THE OECD FINANCIAL SUPPORT FUND. THE ONLY CONSTRAINT ON PUTTING THE FSF INTO EFFECT IS THE FACT THAT THE UNITED STATES HAS NOT RATIFIED IT. IF THE US DOES NOT RATIFY, THE FSF COULD STILL COME INTO EFFECT WITH RATIFICATION BY COUNTRIES REPRESENTING SIXTY PERCENT OF FSF QUOTAS. IF OTHER COUNTRIES WERE PREPARED TO CONSIDER ONE OF THESE MULTILATERAL ARRANGEMENTS, BELGIUM WOULD BECOME AN ACTIVE PARTICIPANT. THE UK, GERMANY, FRANCE, AND NORWEGIAN REPRESENTATIVES INDICATED THAT THEY HAD DIFFICULTY WITH THE BELGIAN APPROACH. OTHERS POINTED OUT THAT EVEN IF FSF WERE RATIFIED UNDER THE SIXTY PERCENT RULE, A LOAN TO PORTUGAL OF MAGNITUDE UNDER CONSIDERATION WOULD REQUIRE UNANIMOUS DECISION ON THE PART OF ALL PARTICIPATING (I.E. BECAUSE WOULD FAR EXCEED PORTUGUESE QUOTA) AND IT IS CLEAR THAT SOME OF THE COUNTRIES, FOR EXAMPLE, GERMANY, WOULD NOT AGREE TO FSF USE FOR THIS PURPOSE. THESE LATTER WOULD NOT WISH TO MOBILIZE FSF IN THIS MANNER FOR PORTUGAL FOR FEAR THAT FSF LOANS WOULD NOT BE CONFINED TO PORTUGAL.

4. PORTUGUESE CENTRAL BANK (GOVERNOR SILVA LOPES AND VICE-GOVERNOR CONSTANCIO) SAID THEY VERY GRATIFIED AT OUTCOME TODAY'S MEETING.
SALZMAN

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Message Attributes

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Status: NATIVE
Subject: FINANCIAL ASSISTANCE FOR PORTUGAL
TAGS: EFIN, PO, OECD
To: STATE SECRETARY AIRCRAFT MULTIPLE
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